

CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

Attachment "A"

R-29
~~RES-33~~

March 23, 2004

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

SUBJECT: Resolution Authorizing the Issuance of Tax-Exempt Multifamily Housing Revenue Bonds for the Decro Scattered Site Rehabilitation Project in an Amount not to Exceed \$15,236,000 and Approving and Authorizing Other Related Documents and Actions (Districts 1, 6 and 9)

DISCUSSION

Decro Corporation, a local non-profit housing developer, currently owns and operates 12 affordable residential apartment complexes in Long Beach totaling 320 units (three properties in District 1, six in District 6 and three in District 9) serving low-income and very low-income households. The acquisition cost and initial rehabilitation of these properties were financed, in part, under the federally-funded HOME Investment Partnerships Program (HOME) Multifamily Rental Rehabilitation Program. A list of the 12 complexes, including their locations and the number of units in each, is attached as Exhibit "A."

Due to the age of the housing units, significant capital expenditures are now necessary to rehabilitate these properties. In addition, there is a desire to upgrade the overall appearance of the properties to enhance their exterior visual impact on the community. An opportunity exists to restructure both the public and private debt on the properties to take advantage of attractive current interest rates, make the required improvements, and free up cash flow to build up reserves for future maintenance needs. In addition, the affordability covenants governing many of the housing units will soon expire without any assurance of ongoing affordability. These covenants will be extended for an additional 55 years as a result of the restructuring and rehabilitation.

To fund the rehabilitation, Decro intends to refinance its current debt on the housing units through the issuance of Tax Exempt Multifamily Housing Revenue Bonds, through the use of tax credit financing, and by borrowing additional City HOME funds. The conduit bonds will be serviced from rent revenue received from the identified properties, with no liability to the City. The outstanding HOME loans on each property and the proposed additional HOME loan amounts are shown on Exhibit "B." Under the proposed restructuring, these loans will be repaid on a residual receipts basis, with annual payment amounts to be determined by an examination of operating expenses for each property. Decro will pay the City an amount equal to 50 percent of the income associated with each property in excess of approved operating costs and debt service.

This matter was first considered by the City on March 4, 2003, when a Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was conducted in the office of the City Treasurer and the City Council adopted a Resolution expressing the City's intent to issue Multifamily Housing Revenue Bonds in an amount not to exceed \$20 million. Following the City Council's authorization, Decro submitted an application for a bond allocation through the California Debt Limit Allocation Committee (CDLAC), which was approved on December 17, 2003 in an amount not to exceed \$15,236,000. In addition, the project subsequently received an allocation of low-income housing tax credits through the State of California's Tax Credit Allocation Committee (TCAC), which provides \$4,608,517 to the transaction from private investment.

The City Treasurer was required to hold a second TEFRA hearing on the proposed financing on March 23, 2004, following published notice of said hearing, as under applicable Treasury Regulations the initial public hearing and related City Council approval was only effective for one year from March 4, 2003. In order to proceed with the bond issuance and sale, it is now necessary for the City Council to adopt the attached Resolution authorizing the issuance of Multifamily Housing Revenue Bonds in an amount not to exceed \$15,236,000.

This letter was reviewed by Deputy City Attorney Everett L. Glenn on February 26, 2004, and by Budget Manager Michael A. Killebrew and City Treasurer James Sadro on February 27, 2004.

TIMING CONSIDERATIONS

City Council action is requested on March 23, 2004 to meet the projected bond closing date of March 25, 2004.

FISCAL IMPACT

There are no direct City costs, other than staff time, related to the bond issue. The developer will repay the bond debt with revenue from project rents. There will be a one-time payment by the developer to the City of \$75,000 to pay for the City's incidental costs related to issuing the bonds. This revenue will be split equally between the Department of Community Development and the Department of Financial Management, resulting in a one-time revenue increase in FY 04 of \$37,500 to the Community Development Grants Fund (SR 150), and \$37,500 to the General Fund (GP) for Treasury and accounting costs. In addition, there will be an annual compliance-monitoring fee of \$50,000 charged to the developer by the City, which will provide revenue of \$40,000 for SR 150, and \$10,000 for GP to compensate for Treasury and accounting costs. Other routine annual costs related to the bonds such as Trustee fees will be paid directly by the developer.

HONORABLE MAYOR AND CITY COUNCIL

March 23, 2004

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New HOME loan funds in the amount of \$2 million, which are currently budgeted in the Community Development Grants Fund (SR 150), will be loaned to Decro for the Scattered Site Project, as outlined in Exhibit "B." Both the new loans and existing loans will be cast as residual receipts loans. As a result, the repayment of the loans may result in revenue amounts that vary on a year-for-year basis compared to loans fully amortized over a fixed period.

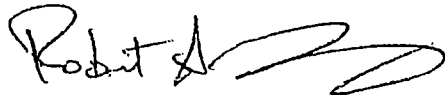
IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Adopt the attached Resolution authorizing the issuance of multifamily housing revenue bonds for the Decro Scattered Site Project in an aggregate principal amount not to exceed \$15,236,000 and approving and authorizing other related documents, official actions and matters; and
2. Authorize the Mayor, City Manager, Director of Financial Management or City Treasurer to execute all documents necessary to complete this transaction.

Respectfully submitted,



For MELANIE S. FALLON
DIRECTOR OF COMMUNITY DEVELOPMENT



ROBERT S. TORREZ
DIRECTOR OF FINANCIAL MANAGEMENT

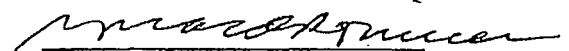
MSF/BS/LM

C: DECRO BOND AUTHORIZATION MARCH 23, 2004

Attachments

- Exhibit "A" - Decro Projects to be Refinanced
- Exhibit "B" - Decro HOME Loan Summary
- Resolution

APPROVED:



GERALD R. MILLER
CITY MANAGER

EXHIBIT "A"

The projects to be refinanced and rehabilitated consist of the following:

<u>Council District</u>	<u>Property Name and Address</u>	<u>Units</u>
6	Cedar Court Apts 1855,1865,1895 Cedar, North of Pacific Coast Hwy and West of Pacific Avenue	42
1	Cerritos Court Apts 842 & 858 Cerritos Ave., South of 10th St. and East of Alamitos	23
9	Linden Garden Court 6371 Linden/531 64th St., West of Atlantic and South of Artesia	24
1	Ocean Breeze Senior Apts 854 Martin Luther King Jr., West of Alamitos and North of 7th St.	16
6	Orange Ave. Apts 1000 Orange Ave., East of Alamitos and corner of 10th St.	19
9	Valentine Gardens Apts 6185,6191,6195 Linden, West of Atlantic and South of Artesia	18
6	Ocean Gate Apts 1070 Martin Luther King Jr., West of Alamitos and North of 10th St.	20
6	1034 Alamitos Apts. 1034 Alamitos Ave., North of 10th St.	30
6	Lime Street Apartments 1060 Lime Street, East of Atlantic and North of 10th St.	16
6	Cedar Court Apartments South 1843-1849 Cedar Avenue, North of Pacific Coast Hwy and West of Pacific	32
9	Artesia Court Apartments 3281-3283 E. Artesia Blvd, South of 91 Freeway and West of Obispo	36
1	Seabreeze Senior Apts 745 Alamitos Avenue, North of 7th St.	44

In connection with the rehabilitation of the projects, it is expected that the number of units could increase or decrease by as many as 35 units. The owner of properties 1-8 and 10-11 is Decro Alpha Corporation, the owner of property 10 is Decro Epsilon Corporation and the owner of property 12 is Decro Gamma Corporation (collectively, the "Developer"), and the operator of the projects is expected to be the Developer or an entity selected by the Developer.

Exhibit "B"

Decro Scattered Site Rehabilitation Project
HOME Loan Summary

<u>Property Address</u>	<u>Council District</u>	<u>Units</u>	<u>Existing HOME Loans**</u>	<u>New HOME Loans</u>	<u>Total Proposed HOME Loans</u>
1) Cedar Court Apts 1855,1865,1895 Cedar Street	6	42	\$369,424.36	\$446,797.00	\$816,221.36
2) Cerritos Court Apts 842 & 858 Cerritos Ave.	1	23	\$208,205.68	\$244,675.00	\$452,880.68
3) Linden Garden Court 6371 Linden/531 64th St.	9	24	\$226,510.81	\$255,313.00	\$481,823.81
4) Ocean Breeze Senior Apts 854 Martin Luther King Jr.	1	16	\$162,553.93	\$170,209.00	\$332,762.93
5) Orange Ave. Apts 1000 Orange Ave.	6	19	\$119,995.75	\$202,123.00	\$322,118.75
6) Valentine Gardens Apts 6185,6191,6195 Linden	9	18	\$194,839.31	\$191,503.00	\$386,342.31
7) Ocean Gate Apts 1070 Martin Luther King Jr.	6	20	\$241,609.03	\$0.00	\$241,609.03
8) 1034 Alamos Apts. 1034 Alamos Ave.	6	30	\$380,656.98	\$319,171.00	\$699,827.98
9) Lime Street Apartments 1060 Lime Street	6	16	\$118,476.74	\$170,209.00	\$288,685.74
10) Cedar Court Apartments South 1843-1849 Cedar Avenue	6	32	\$362,330.00	\$0.00	\$362,330.00
11) Artesia Court Apartments 3281-3283 E. Artesia Blvd.	9	36	\$541,040.21	\$0.00	\$541,040.21
12) Seabreeze Senior Apts 745 Alamos Avenue	1	44	\$462,256.98	\$0.00	\$462,256.98
Total		320	\$3,387,899.78	\$2,000,000.00	\$5,387,899.78

**includes accrued interest until 3/24/04

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1 RESOLUTION NO. C

2
3
4 A RESOLUTION OF THE CITY COUNCIL OF THE
5 CITY OF LONG BEACH EXPRESSING THE CITY'S
6 INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE
7 BONDS TO PROVIDE ADDITIONAL FINANCING FOR THE
8 ACQUISITION AND REHABILITATION OF MULTIFAMILY
9 RESIDENTIAL RENTAL FACILITIES BY DECRO LONG
10 BEACH L.P., AND APPROVING RELATED ACTIONS
11

12 WHEREAS, the City of Long Beach (the "City") is authorized by Chapter 7
13 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the
14 "Act"), to issue and sell revenue bonds for the purpose of providing financing for the
15 acquisition and rehabilitation of multifamily rental housing facilities located within the
16 City to be occupied in part by low income tenants; and

17 WHEREAS, on April 8, 2004, the City issued up to \$15,236,000 of its City
18 of Long Beach Multifamily Housing Revenue Bonds (Decro Long Beach - Multiple
19 Developments), Series 2004A (the "2004 Bonds") pursuant to the Act for the purpose of
20 financing the rehabilitation by Decro Long Beach L.P., a California limited partnership
21 (the "Owner") of twelve different multifamily residential rental housing facilities
22 (collectively, the "Facilities") as described in Exhibit A hereto; and

23 WHEREAS, rehabilitation costs for the Facilities have increased beyond
24 what was expected at the time of the issuance of the 2004 Bonds, and the Owner has
25 now requested that the City issue approximately \$6,000,000 of revenue bonds (the
26 "Bonds") to provide additional financing for rehabilitation of the Facilities; and

27 WHEREAS, it is intended that the interest on the Bonds be excluded from
28 gross income for federal tax purposes; and

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1 WHEREAS, the Bonds will be considered to be "qualified exempt facility
2 bonds" under Section 142(a) of the Internal Revenue Code of 1986, as amended (the
3 "Code"), and Section 147(f) of the Code requires that the "applicable elected
4 representative" with respect to the City approve the issuance of the Bonds following a
5 public hearing on the Bonds, in order for the interest on the Bonds to be tax-exempt;
6 and

7 WHEREAS, this City Council is an applicable elected representative of the
8 City for purposes of the Code; and

9 WHEREAS, a notice of said public hearing has been duly given as
10 required by the Code, and the City Treasurer has heretofore held such public hearing at
11 which all such interested persons were given an opportunity to be heard on all matters
12 relative to the location, operation and financing of the Facilities and the City's issuance
13 of the Bonds therefor, and a summary of any oral or written testimony received at the
14 public hearing has been presented to the City Council for its consideration; and

15 WHEREAS, the City Council now desires to express its intent to issue the
16 Bonds and to direct the City's Director of Community Development ("Director") to take
17 all actions necessary to apply for a private activity bond allocation for the Bonds from
18 the California Debt Limit Allocation Committee ("CDLAC");

19 NOW, THEREFORE, the City Council of the City of Long Beach resolves
20 as follows:

21 Section 1. The City intends to issue the Bonds in a principal amount of
22 approximately \$6,000,000 for the purpose of making a loan to the Owner to finance the
23 cost of the rehabilitation of the Facilities by the Owner.

24 Sec. 2. The City Council directs the Director of Community
25 Development ("Director") to take all actions necessary or desirable to obtain an
26 allocation for the issuance of private activity bonds for the Facilities from CDLAC in the
27 amount of approximately \$6,000,000 (the "Allocation"). The Director shall take all
28 actions required or desirable under the procedures of CDLAC and Chapter 11.8 of

1 Division 1 of Title 2 (commencing with Section 8869.80) of the California Government
2 Code to apply for the Allocation from CDLAC.

3 Sec. 3. The adoption of this Resolution is for the purpose of
4 satisfying the requirements of CDLAC related to the Allocation and the public approval
5 requirement of the Code, and to indicate the City's intent to issue the Bonds to provide
6 additional financing for the Facilities. However, the adoption of this Resolution shall not
7 obligate the City to issue the Bonds on terms other than which are fully acceptable to
8 the City in its discretion. The issuance of the Bonds shall be subject to approval by a
9 separate resolution of the City Council, which resolution shall consider the approval by
10 the City Council of the primary documents with respect to the Bonds to which the City
11 will be a party.

12 Sec. 4. This Resolution shall take effect immediately upon its adoption by
13 the City Council, and the City Clerk shall certify to the vote adopting this resolution.

14 I certify that this resolution was adopted by the City Council of the City of Long Beach,
15 California, at its meeting of October __, 2005, by the following vote:

16 Ayes: Councilmembers: _____
17 _____
18 _____
19 _____

20 Noes: Councilmembers: _____
21 _____

22 Absent: Councilmembers: _____
23 _____

24
25
26 City Clerk
27
28

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EXHIBIT A

The developments to be financed, all located within the City, consist of the following:

	Property Address	Rental Units
1	Cedar Court Apartments 1855, 1865, 1895 Cedar Street	42
2	Cerritos Court Apartments 842 & 858 Cerritos Ave.	23
3	Linden Garden Court 6371 Linden/531 64th St.	24
4	Ocean Breeze Senior Apartments 854 Martin Luther King Jr.	16
5	Orange Ave. Apartments 1000 Orange Ave.	19
6	Terrace Gardens Apartments 1200-1240 52nd Street	43
7	Valentine Gardens Apartments 6185, 6191, 6195 Linden	18
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